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February 28, 1986

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The President
The White House
Washington, D. C. 20500

Dear Mr. President:

I have the honor to present the Interim Report of the Blue Ribbon Commission on Defense Management.

At the outset of our work, we recognized the substantial progress made in the last five years to improve the nation's defense. The morale and fighting ability of our Armed Forces are higher than at any time in recent memory.

Over the years, many dedicated people have wrestled with the large, complex and critically important task of managing the Department of Defense. Nagging structural problems have long limited their success. Our recommendations, a blueprint for further progress, are intended to provide the Administration and the Congress a better overall framework for defense management.

Secretary of Defense Weinberger has already undertaken a number of the management improvements we suggest. His considerable accomplishments give us great confidence that our recommendations are sound and can produce substantially greater efficiency and savings.

We hope that you will accept them, that they will receive the full and enthusiastic support of the Congress, and that they will be implemented as soon as possible.

Sincerely,

David Packard

David Packard

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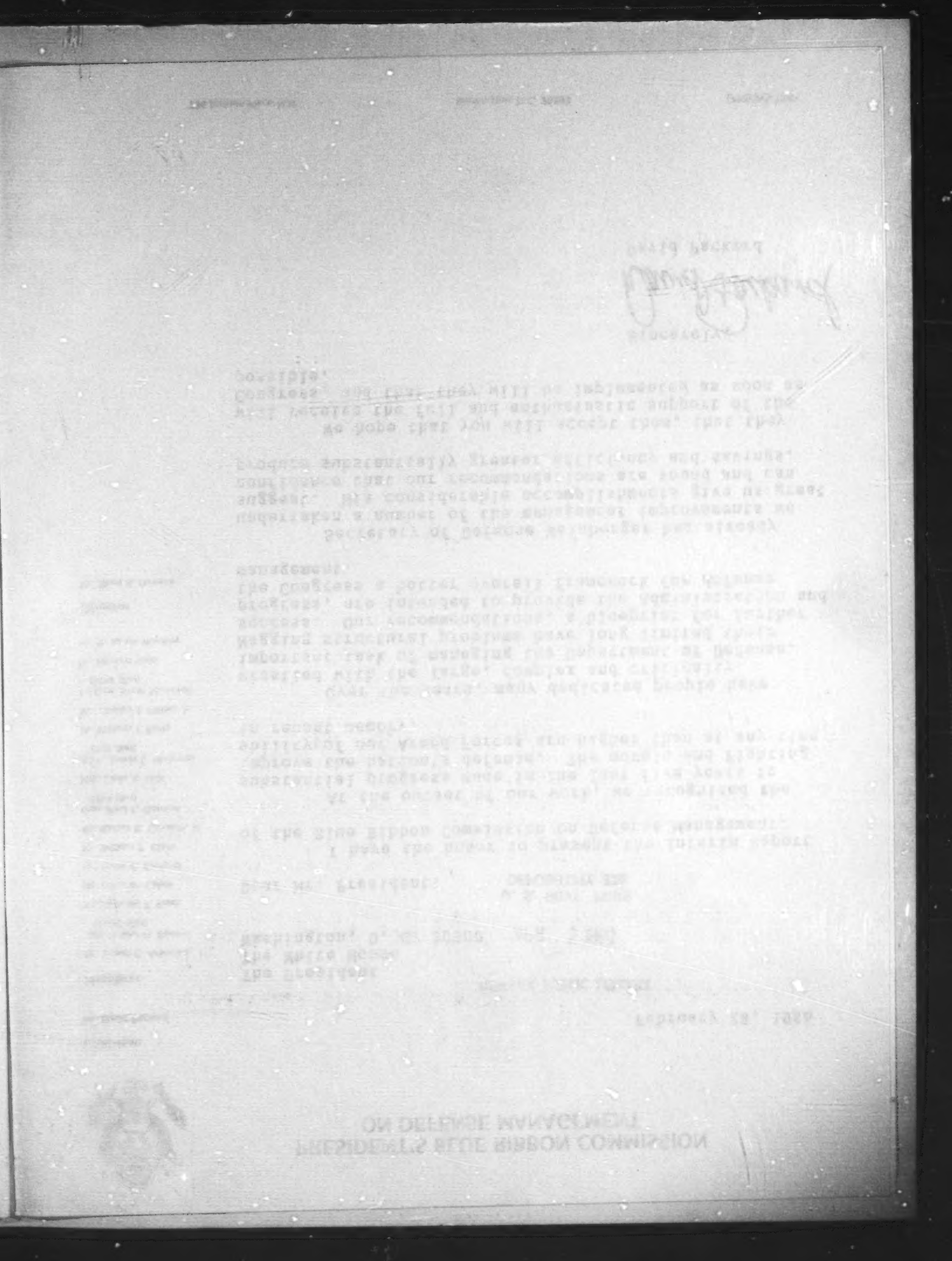

An Interim Report to the President

by the President's
Blue Ribbon Commission
on Defense Management

February 28, 1986

With deep respect, we dedicate this report to the late Ernest C. Arbuckle, a distinguished teacher and practitioner of business management. On Dean Arbuckle's extraordinary dedication and gentle spirit has depended much of our work.

Introduction

In July 1985, this Commission was charged by the President to conduct a study of important dimension, encompassing current defense management and organization in its entirety, including:

> "the budget process, the procurement system, legislative oversight, and the organizational and operational arrangements, both formal and informal, among the Office of the Secretary of Defense, the Organization of the Joint Chiefs of Staff, the Unified and Specified Command system, the Military Departments, and the Congress."

We have tried to take a broad and searching look at defense issues, and to address the root causes of defense problems. The blueprint for change provided in this, our Interim Report, flows from certain enduring propositions of sound national security policy, effective government, and basic management.

The Armed Forces of the United States are now and for the foreseeable future an essential bulwark against the advance of tyranny. The purpose set forth two centuries ago by the drafters of the Constitution—to "provide for the common defense"—is one that we can meet today only with Armed Forces of the utmost strength and readiness. Maintaining peace and freedom requires nothing less.

To achieve this military capability, a sense of shared purpose must prevail in relations between the Executive Branch and the Congress, and between government and defense industry. Public and private institutions must cooperate well, to serve the national good rather than mere partisanship or special interest. The spirit of cooperation needed to promote the common defense is today in jeopardy. This vital spirit must be preserved. Like the effectiveness of our forces, it cannot simply be taken for granted.

The United States' defense effort is an enormous and complex enterprise. It poses unique challenges—to plan sensibly for an uncertain future, to answer new and unexpected threats to our security, to husband our technological and

industrial capacities and resources. Meeting these challenges will require, we believe, a rededication by all concerned to some basic principles of management. Capable people must be given the responsibility and authority to do their job. Lines of communication must be kept as short as possible. People on the job must be held accountable for the results. These are the principles that guide our recommendations on defense organization and acquisition. They apply whether one is fighting a war or managing a weapons program.

The present structure of the Department of Defense was established by President Eisenhower in 1958. His proposed reforms, which sprang from the hard lessons of command in World War II and from the rich experience of his Presidency, were not fully accomplished. Intervening years have confirmed the soundness of President Eisenhower's purposes. The Commission has sought to advance on the objectives he set for the Department.

Together, our recommendations are designed to achieve the following significant results:

Overall defense decision-making by the Executive Branch and the Congress can be improved.

Our military leadership can be organized and chartered to provide the necessary assistance for effective long-range planning.

Our combatant forces can be organized and commanded better for the attainment of national objectives.

Control and supervision of the entire acquisition system—including research, development, and procurement—can be strengthened and streamlined.

Waste and delay in the development of new weapons can be minimized, and there can be greater assurance that military equipment performs as expected.

The Department of Defense and defense industry can have a more honest, productive partnership working in the national interest.

Our interim findings and recommendations, presented in the pages to follow, concern major features of national security planning and budgeting (Section I), military organization and command (Section II), acquisition organization and procedures (Section III), and government-industry accountability (Section IV).

I. National Security Planning and Budgeting

The Commission finds that there is a great need for improvement in the way we think through and tie together our security objectives, what we spend to achieve them, and what we decide to buy. The entire undertaking for our nation's defense requires more and better long-range planning. This will involve concerted action by our professional military, the civilian leadership of the Department of Defense, the President, and the Congress.

Today, there is no rational system whereby the Executive Branch and the Congress reach coherent and enduring agreement on national military strategy, the forces to carry it out, and the funding that should be provided—in light of the overall economy and competing claims on national resources. The absence of such a system contributes substantially to the instability and uncertainty that plague our defense program. These cause imbalances in our military forces and capabilities, and increase the costs of procuring military equipment.

Better long-range planning must be based on military advice of an order not now always available—fiscally constrained, forward looking, and fully integrated. This advice must incorporate the best possible assessment of our overall military posture vis-a-vis potential opponents, and must candidly evaluate the performance and readiness of the individual Services and the Unified and Specified Commands.

To conduct such planning requires a sharpened focus on major defense missions in the Department's presentation, and Congress' review, of the defense budget. The present method of budget review, involving duplicative effort by numerous congressional committees and subcommittees, centers on either the minutiae of line items or the gross dollar allocation to defense, and obscures important matters of strategy, operational concepts, and key defense issues. As Senator Goldwater, Chairman of the Senate Armed Services Committee, recently observed, "The budget process distorts the nature of congres-

sional oversight by focusing primarily on the question of how much before we answer the key questions of what for, why, and how well."

Of greater concern, congressional approval of the budget on a year-to-year basis contributes to and reinforces the Department's own historical penchant for defense management by fits and starts. Anticipated defense dollars are always in flux. Individual programs must be hastily and repeatedly accommodated to shifting overall budgets, irrespective of military strategy and planning. The net effect of this living day-to-day is less defense and more cost. Although often hidden, this effect is significant—and it can be avoided.

Biennial budgeting, authorization and appropriation of major programs not annually but only at key milestones, and a focus on strategy and operational concepts instead of line items are among the most important changes that could be made to improve defense planning. They would enhance the congressional role in framing good national security policy.

Budgeting based on strategy and operational concepts also would provide a far greater improvement in the performance of the Office of the Secretary of Defense than would any legislated reorganization of that Office. In general, we believe, Congress should permit the Secretary to organize his Office as he chooses to accomplish centralized policy formulation and decentralized implementation within the Department.

The Commission concludes that new procedures are required to help the Administration and the Congress do the necessary long-range planning and meaningfully assess what military forces are needed to meet our national security objectives. Public and official debate must be brought to bear on these larger defense policy questions. The Commission strongly urges adoption of a process that emphasizes the element of sound, professional military advice provided within realistic confines of anticipated long-term funding.

Recommendations

To institutionalize, expand, and link a series of critical determinations within the Executive Branch and Congress, we recommend a process that would operate in substance as follows:

Defense planning would start with a comprehensive statement of national security objectives and priorities, based on recommendations of the National Security Council (NSC).

Based on these objectives, the President would issue, at the outset of his Administration and thereafter as required, provisional five-year budget levels to the Department of Defense (DoD). These budget levels would reflect competing demands on the federal budget and projected gross national product and revenues and would come from recommendations of the NSC and the Office of Management and Budget.

The Secretary of Defense would instruct the Chairman of the Joint Chiefs of Staff (JCS) to prepare a military strategy for the national objectives, and options on operational concepts and key defense issues for the budget levels provided by the President.

The Chairman would prepare broad military options with advice from the JCS and the Commanders-in-Chief of the Unified and Specified Commands (CINCs). Addressing operational concepts and key defense issues (e.g., modernization, force structure, readiness, sustainability, and strategic versus general purpose forces), the Chairman would frame explicit trade-offs among the Armed Forces and submit his recommendations to the Secretary of Defense. The Secretary of Defense would make such modifications as he thinks appropriate and present these to the President.

The Chairman, with the assistance of the JCS and the Director of Central Intelligence, would prepare a net assessment of the effectiveness of United States and Allied Forces as compared to those of possible adversaries. The net assessment would be used to evaluate the risks of options and would accompany the recommendations of the Secretary of Defense to the President.

The President would select a particular military program and the associated budget level. This program and budget level would be binding on all elements of the Administration. DoD would then develop a five-year defense plan and a two-year defense budget conforming to the President's determination.

The President would submit to the Congress the two-year budget and the five-year plan on which it is based. Congress would be asked to approve the two-year budget based upon this plan. It would authorize and appropriate funding for major weapon systems at the two key milestones of full-scale engineering development and high-rate production.

DoD would present the budget to Congress on the basis of national strategy and operational concepts rather than line items. The details of such presentation would be worked out by the Secretary of Defense and appropriate committees of Congress.

II. Military Organization and Command

To accomplish meaningful, long-range defense planning, certain modifications are needed in our defense establishment.

The President and the Secretary of Defense require military advice that better integrates the individual views of the nation's combatant commanders and the Chiefs of the Services. Today, there is no one uniformed officer clearly responsible for providing such an integrated view, who can draw upon the best thinking of, and act as an effective spokesman for, our senior military leadership. The current authority of the Chairman of the Joint Chiefs of Staff is insufficient to enable him to perform effectively in this capacity. The Chairman's advisory relation to the President and the Secretary of Defense, the Chairman's mandate over the Joint Staff and the Organization of the Joint Chiefs of Staff, and the Chairman's place in the channel of communications between the Secretary of Defense and the Commanders-in-Chief of the Unified and Specified Commands (CINCs), all must be strengthened to this end.

So, too, must the views of the CINCs be more strongly and purposefully represented than they are at present within the councils of the Joint Chiefs and in weapons requirements decision-making. Because it is the responsibility of the Chairman to integrate the sometimes conflicting advice of the Service Chiefs and the CINCs into a national strategy, the necessity for impartiality and objectivity in doing so argues for another voice in the Joint Chiefs of Staff to represent the views of the CINCs. For these purposes, and to assist the Chairman in his existing and additional responsibilities, we conclude that the position of Vice Chairman of the Joint Chiefs of Staff should be established.

There is an important need to provide for continuity of advice to the Secretary of Defense and the President in the absence of the Chairman of the Joint Chiefs of Staff. The current system, in which the members of the Joint Chiefs of Staff (JCS) rotate quarterly as Acting Chairman, has provided continuity better than earlier systems. It also has served to enhance a needed joint perspective among the Service Chiefs and increase their effectiveness in both their JCS and Service roles. The establishment of a Vice Chairman as a mem-

ber of the Joint Chiefs of Staff having special responsibilities for representing the interests of the CINCs and reviewing weapons requirements would be an important innovation. While underscoring the importance of continuity, the Commission believes the procedures under which an Acting Chairman is designated should remain flexible. Under the President's direction, the Secretary of Defense should be permitted to adopt those procedures which are best suited to the particular circumstances and to revise them in accordance with changing needs.

We find that improvements also are needed in the several Unified (i.e., multi-Service) and Specified (i.e., single Service) Commands into which our combat forces are organized.

The measure of command now accorded the nation's combatant commanders is not always sufficient for our forces to perform with high confidence of success and coherence of effort. Unified Commanders require broader authority than "operational command," as now understood and practiced, in order to meet the heavy responsibilities that their missions place on them.

The Unified Command Plan divides responsibilities among combatant commanders too arbitrarily on the basis of geographical boundaries. Today, some threats overlap those boundaries and must be dealt with functionally.

Moreover, the current command structure reflects command arrangements that evolved during World War II to deal with high-intensity conflict across vast regions of the globe. However well the layers of the present command structure suit the contingency of general war, they are not always well-suited to the regional crises, tensions, and conflicts that are commonplace today.

Finally, loose coordination of strategic lift of military forces throughout the world now constrains military effectiveness. There are demonstrated managerial shortfalls in our ability to allocate available air, land, and sea transportation among many claimants.

Recommendations

The specific changes recommended by the Commission are necessary to assure unified action by our Armed Forces. They include the following reforms in federal law and Defense Department practices.

Current law should be changed to designate the Chairman of the Joint Chiefs of Staff (JCS) as the principal uniformed military advisor to the President, the National Security Council, and the Secretary of Defense, representing his own views as well as the corporate views of the JCS.

Current law should be changed to place the Joint Staff and the Organization of the Joint Chiefs of Staff under the exclusive direction of the Chairman, to perform such duties as he prescribes to support the JCS and to respond to the Secretary of Defense. The statutory limit on the number of officers on the Joint Staff should be removed to permit the Chairman a staff sufficient to discharge his responsibilities.

The Secretary of Defense should direct that the commands to and reports by the Commanders-in-Chief of the Unified and Specified Commands (CINCs) should be channeled through the Chairman so that the Chairman may better incorporate the views of senior combatant commanders in his advice to the Secretary.

The Service Chiefs should serve as members of the JCS. The position of a four-star Vice Chairman should be established by law as a sixth member of the JCS. The Vice Chairman should assist the Chairman by representing the interests of the CINCs, co-chairing the Joint Requirements Management Board, and performing such other duties as the Chairman may prescribe.

The Secretary of Defense, subject to the direction of the President, should determine the procedures under which an Acting Chairman is designated to serve in the absence of the Chairman of the JCS. Such procedures should remain flexible and responsive to changing circumstances.

Subject to the review and approval of the Secretary of Defense, Unified Commanders should be given broader authority to structure subordinate commands, joint task forces, and support activities in a way that best supports their missions and results in a significant reduction in the size and numbers of military headquarters.

The Unified Command Plan should be revised to assure increased flexibility to deal with situations that overlap the geographic boundaries of the current combatant commands and with changing world conditions.

For contingencies short of general war, the Secretary of Defense, with the advice of the Chairman and the JCS, should have the flexibility to establish the shortest possible chains of command for each force deployed, consistent with proper supervision and support. This would help the CINCs and the JCS perform better in situations ranging from peace to crisis to general war.

The Secretary of Defense should establish a single unified command to integrate global air, land, and sea transportation, and should have flexibility to structure this organization as he sees fit. Legislation prohibiting such a command should be repealed.

III. Acquisition Organization and Procedures

Action within the Administration and in Congress to improve national security planning and budgeting and military organization—as recommended by the Commission—will provide the element of stability required for substantial improvement of the acquisition system. This element is critical, and has been missing. While significant savings can be and have been made through better procurement techniques, more impressive savings will come from eliminating the hidden costs that instability imposes.

Our study of acquisition reveals, and our collective experience fully confirms, that there are certain common characteristics of successful commercial and governmental projects. Short, unambiguous lines of communication among levels of management, small staffs of highly competent professional personnel, an emphasis on innovation and productivity, smart buying practices, and, most importantly, a stable environment of planning and funding—all are characteristic of efficient and successful management.

These characteristics should be hallmarks of defense acquisition. They are, unfortunately, antithetical to the process the Congress and the Department of Defense have created to conduct much of defense acquisition over the years. With notable exceptions, weapon systems take too long and cost too much to produce. Too often, they do not perform as promised or expected. The reasons are numerous.

Over the long term, there has been chronic instability in top-line funding and, even worse, in programs. This eliminates key economies of scale, stretches out programs, and discourages contractors from making the long-term investments required to improve productivity.

Federal law governing procurement has become overwhelmingly complex. Each new statute adopted by Congress has spawned more administrative regulation. As law and regulation have proliferated, defense acquisition has become ever more bureaucratic and encumbered by unproductive layers of management and overstaffing.

Responsibility for acquisition policy has become fragmented. There is today no single senior official in the Office of the Secretary of Defense (OSD) working full-time to provide overall supervision of the acquisition system. While otherwise convinced that the Secretary should be left free to organize his Office as he sees fit, the Commission concludes that the demands of the acquisition system have become so weighty as to require organizational change within that Office.

In the absence of such a senior OSD official, policy responsibility has tended to devolve to the Services, where at times it has been exercised without the necessary coordination or uniformity.

Authority for acquisition execution, and accountability for its results, have become vastly diluted. Program managers have in effect been deprived of control over programs. They are confronted instead by never-ending bureaucratic obligations for making reports and gaining approvals that bear no relation to program success.

Deficiencies in the senior-level appointment system have complicated the recruitment of top executive personnel with industrial and acquisition experience. Recent steps to improve the professionalism of military acquisition personnel have been made within the Department of Defense and reinforced by legislation. The existing civilian personnel management system has not, however, allowed similar improvements in career paths and education for civilian acquisition personnel. To attract and retain a good work force requires a more flexible system for management of contracting officers and other senior acquisition personnel—one comparable to the successful system for scientists and engineers recently demonstrated at the Navy's China Lake Laboratory. Major innovations in personnel management and regulations are needed. The Commission's recommendations in this critical area can and should be acted upon quickly and are of the highest priority.

A better job of determining requirements and estimating costs has been needed at the outset of weapons development. More money and better engineering invested at the front end will get more reliable and better performing weapons into the field more quickly and cheaply. For example, recent improvements in budgeting to most-likely cost have demonstrated that this approach can result in a reduction in overruns.

All too often, requirements for new weapon systems have been overstated. This has led to overstated specifications, which has led to higher cost equipment. Such so-called goldplating has become deeply embedded in our system today. The current streamlining effort in the Defense Department is directed at this problem.

Developmental and operational testing have been too divorced, the latter

has been undertaken too late in the cycle, and prototypes have been used and tested far too little.

In their advanced development projects, the Services too often have duplicated each other's efforts and disfavored new ideas and systems. The Defense Advanced Research Projects Agency has not had a sufficient role in hardware experimentation and prototyping.

Common sense, the indispensable ingredient for a successful system, has not always governed acquisition strategies. More competition, for example, is beneficial, but the mechanistic pursuit of competition for its own sake would be inefficient and sacrifice quality—with harmful results. Multi-year procurement, baselining, and the use of non-developmental items all entail costs to management flexibility, but would yield far greater benefits in program stability. The Defense Department has initiated some baselining (the B–1 is an example) and has made progress in gaining congressional acceptance of multi-year contracting.

In sum, the Commission finds that there is legitimate cause for dissatisfaction with the process by which the Department of Defense and Congress buy military equipment and material. We strongly disagree, however, with the commonly held views of what is wrong and how it must be fixed. The nation's defense programs lose far more to inefficient procedures than to fraud and dishonesty. The truly costly problems are those of overcomplicated organization and rigid procedure, not avarice or connivance.

Chances for meaningful improvement will come not from more regulation but only with major institutional change. Common sense must be made to prevail alike in the enactments of Congress and the operations of the Department. We must give acquisition personnel more authority to do their jobs. If we make it possible for people to do the right thing the first time and allow them to use their common sense, then we believe that the Department can get by with far fewer people.

The well-publicized spare parts cases are only one relatively small aspect of a far costlier structural problem. Each spare parts case has its own peculiarities, but there are several major recurring causes that are systemic in nature. Many of these causes have been identified by the Defense Department.

It is undoubtedly important to buy spare parts with care and at reasonable cost. It is yet more important not to let the spare parts cases lead us to ignore larger problems or, even worse, to aggravate them. Policy makers must address the root causes of inefficiency, not dwell on marginal issues. The prescription we offer for those larger problems will, we believe, result in savings on major weapon systems and minor spare parts alike.

Recommendations

Notwithstanding our view that the Secretary of Defense should be free to organize his Office as he sees fit, we strongly recommend creation by statute of the new position of Under Secretary of Defense (Acquisition) and authorization of an additional Level II appointment in the Office of the Secretary of Defense. This Under Secretary, who should have a solid industrial background, would be a full-time Defense Acquisition Executive. He would set overall policy for procurement and research and development (R&D), supervise the performance of the entire acquisition system, and establish policy for administrative oversight and auditing of defense contractors.

The Army, Navy, and Air Force should each establish a comparable senior position filled by a top-level civilian Presidential appointee. The role of the Services' Acquisition Executives would mirror that of the Defense Acquisition Executive. They would appoint Program Executive Officers (PEO), each of whom would be responsible for a reasonable and defined number of acquisition programs. Program Managers for these programs would be responsible directly to their respective PEO and report *only* to him on program matters. Each Service should retain flexibility to shorten this reporting chain even further, as it sees fit.

Establishing short, unambiguous lines of authority would streamline the acquisition process and cut through bureaucratic red tape. By this means, the Department of Defense (DoD) should substantially reduce the number of acquisition personnel.

Congress should work with the Administration to recodify all federal statutes governing procurement into a single government-wide procurement statute. This recodification should aim not only at consolidation, but more importantly at simplification and consistency.

DoD must be able to attract, retain, and motivate well qualified acquisition personnel. Significant improvements, along the lines of those recommended in November 1985 by the National Academy of Public Administration, should be made in the senior-level appointment system. The Secretary of Defense should have increased authority to establish flexible personnel management policies necessary to improve defense acquisition. An alternate

personnel management system, modeled on the China Lake Laboratory demonstration project, should be established to include senior acquisition personnel and contracting officers as well as scientists and engineers. Federal regulations should establish business-related education and experience criteria for civilian contracting personnel, which will provide a basis for the professionalization of their career paths. Federal law should permit expanded opportunities for the education and training of all civilian acquisition personnel. This is necessary if DoD is to attract and retain the caliber of people necessary for a quality acquisition program.

The Joint Requirements Management Board (JRMB) should be co-chaired by the Under Secretary of Defense (Acquisition) and the Vice Chairman of the Joint Chiefs of Staff. The JRMB should play an active and important role in all joint programs and in appropriate Service programs by defining weapons requirements, selecting programs for development, and providing thereby an early trade-off between cost and performance.

Rather than relying on excessively rigid military specifications, DoD should make much greater use of components, systems, and services available "off the shelf." It should develop new or custom-made items only when it has been established that those readily available are clearly inadequate to meet military requirements.

A high priority should be given to building and testing prototype systems and subsystems before proceeding with full-scale development. This early phase of R&D should employ extensive informal competition and use streamlined procurement processes. It should demonstrate that the new technology under test can substantially improve military capability, and should as well provide a basis for making realistic cost estimates prior to a full-scale development decision. This increased emphasis on prototyping should allow us to "fly and know how much it will cost before we buy."

The proper use of operational testing is critical to improving the operations performance of new weapons. We recommend that operational testing begin early in advanced development and continue through full-scale development, using prototype hardware. The first units that come off the limited-rate production line should be subjected to intensive operational testing and

the systems should not enter high-rate production until the results from these tests are evaluated.

To promote innovation, the role of the Defense Advanced Research Projects Agency should be expanded to include prototyping and other advanced development work on joint programs and in areas not adequately emphasized by the Services.

Federal law and DoD regulations should provide for substantially increased use of commercial-style competition, relying on inherent market forces instead of governmental intervention. To be truly effective, such competition should emphasize quality and established performance as well as price, particularly for R&D and for professional services.

DoD should fully institutionalize "baselining" for major weapon systems at the initiation of full-scale engineering development. Establishment of a firm internal agreement or baseline on the requirements, design, production, and cost of weapon systems will enhance program stability.

DoD and Congress should expand the use of multi-year procurement for high-priority systems. This would lead to greater program stability and lower unit prices.

IV. Government-Industry Accountability

In recent years there has been increasing public mistrust of the performance of private contractors in the country's defense programs. Numerous reports of questionable procurement practices have fostered a conviction, widely shared by members of the public and by many in government, that defense contractors place profits above legal and ethical responsibilities. Others argue that contractors have been unfairly discredited through ill-conceived official actions, exaggerated press, and mistaken public dialogue. The depth of public sentiment and prospect of continuing tensions and divisions between government and industry are cause for concern.

Our nation relies heavily upon the private sector in executing defense policy. Cooperation between government and industry is essential if private enterprise is to fulfill its role in the defense acquisition process. Contractor or government actions that undermine public confidence in the integrity of the contracting process jeopardize this needed partnership.

Aggressive and sustained enforcement of civil and criminal laws governing procurement punishes and deters misconduct by the few, vindicates the vast majority who deal with the government lawfully, and recoups losses to the Treasury. As President Reagan emphasized in public remarks announcing the formation of this Commission, "Waste and fraud by corporate contractors are more than a ripoff of the taxpayer—they're a blow to the security of our nation. And this the American people cannot and should not tolerate." Specific measures can and should be taken to make civil and criminal enforcement still more effective.

Management and employees of companies that contract with the Defense Department assume unique and compelling obligations to the people of our Armed Forces, the American taxpayer, and our nation. They must apply (and be perceived as applying) the highest standards of business ethics and conduct. Significant improvements in contractor self-governance, addressing problems

unique to defense contracting, are required. Contractors have a legal and moral obligation to disclose to government authorities misconduct discovered as a result of self-review.

Improvements also should be made in the Department's administration of current standards of conduct for military personnel and civilian employees. Additional enforcement and compliance, not more standards, are required.

Despite an unquestioned need for broad administrative oversight of contractor performance, defense programs have too often suffered from lack of clear direction and cooperation among oversight agencies. Proliferation of uncoordinated contractor oversight—both administrative and congressional—has added unnecessary cost and inefficiency in the procurement process.

Government action should not impede efforts by contractors to improve their own performance. The Commission is concerned that, for example, overzealous use of investigative subpoenas by Defense Department agencies may result in less vigorous internal corporate auditing.

The Services and the Defense Logistics Agency are authorized to suspend or debar contractors, prohibiting the award of new government contracts for a particular period. Suspension and debarment are powerful administrative tools. Existing regulations provide insufficient guidance, however, as to when and how these sanctions should be used to protect legitimate government interests. If poorly administered, used for impermissible purposes, or applied too broadly, the sanctions can foreclose important sources of supply and inflict substantial harm on responsible contractors. A uniform policy and more precise administrative criteria are required to assure predictable and equitable application of these sanctions throughout the Department of Defense.

Recommendations

The Commission's recommendations address each of the above aspects of the Defense Department's relations with industry—law enforcement, corporate governance, official ethics, and contractor oversight.

We recommend continued, aggressive enforcement of federal civil and criminal laws governing defense acquisition. Specific measures can be taken

to make enforcement still more effective, including the passage of Administration proposals to amend the civil False Claims Act and to establish administrative adjudication of small, civil false claims cases.

To assure that their houses are in order, defense contractors must promulgate and vigilantly enforce codes of ethics that address the unique problems and procedures incident to defense procurement. They must also develop and implement internal controls to monitor these codes of ethics and sensitive aspects of contract compliance.

The Department of Defense (DoD) should vigorously administer current ethics regulations for military and civilian personnel to assure that its employees comply with the same high standards expected of contractor personnel.

Oversight of defense contractors must be better coordinated among the various DoD agencies and Congress. Guidelines must be developed to remove undesirable duplication of official effort and, where appropriate, to encourage sharing of contractor data by audit agencies.

Government actions should foster contractor self-governance. DoD should not, for example, use investigative subpoenas to compel such disclosure of contractor internal auditing materials as would discourage aggressive self-review. The new Under Secretary of Defense (Acquisition) should establish appropriate overall audit policy for DoD agencies and generally supervise the DoD's oversight of contractor performance.

Suspension and debarment should be applied only to protect the public interest where a contractor is found to lack "present responsibility" to contract with the federal government. Suspension and debarment should not be imposed solely as a result of an indictment or conviction predicated upon former (not ongoing) conduct, nor should they be used punitively. The Federal Acquisition Regulations should be amended to provide more precise criteria for applying these sanctions and, in particular, determining "present responsibility." Administration of suspension and debarment at DoD should be controlled by a uniform policy promulgated by the Secretary of Defense.

Conclusion

These are the Commission's initial recommendations. We offer them not as a series of isolated changes, but as a single blueprint for overall improvement in defense management. Implemented together, they can provide a basis for vital stability in defense programs, save money, and put better forces in the field. They also can point the way to further improvement.

Working from this blueprint, we intend to make additional recommendations on these and other issues and to provide a detailed report of our findings and conclusions by the end of June 1986.

PRESIDENT'S BLUE RIBBON COMMISSION ON DEFENSE MANAGEMENT

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Penny Chanin
Charles Graham
Stephanie D. Johnson
Mary Hill
Rosemary McCarthy
Martha Sands
Mary Stepp
Patricia Stith
Ray S. Thompson, Jr.
Irvin A. Tull